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MCNAIR LAW FIRM, P.A.  
ATTORNEYS AND COUNSELORS AT LAW

www.mcnaire.net

BANK OF AMERICA TOWER  
1301 GERVAIS STREET, 17th FLOOR  
COLUMBIA, SOUTH CAROLINA 29201

POST OFFICE BOX 11390  
COLUMBIA, SOUTH CAROLINA 29211  
TELEPHONE (803)799-9800  
FACSIMILE (803)376-2277

March 23, 2005

VIA HAND DELIVERY

Mr. Charles L. A. Terreni  
Chief Clerk/Administrator  
South Carolina Public Service Commission  
Synergy Business Park, The Saluda Building  
101 Executive Center Drive  
Columbia, South Carolina 29210

RECEIVED  
2005 MAR 23 PM 3:01  
SC PUBLIC SERVICE  
COMMISSION

**Re: Generic Proceeding Established Pursuant to Commission Order  
No. 2004-466 to Address the Appropriate Rate Classification or  
Rate Structure for Telephone Lines Located in Elevators and for  
Telephone Lines Located in Proximity to Swimming Pools  
Docket No. 2005-15-C**

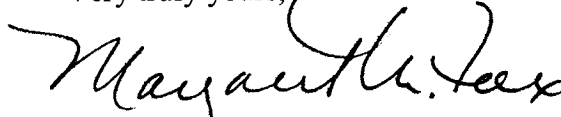
Dear Mr. Terreni:

Enclosed for filing on behalf of the South Carolina Telephone Coalition, please find an original and twenty-five (25) copies of the Direct Testimony of Debby C. Brooks in the above-captioned matter. By copy of this letter and Certificate of Service, all parties of record are being served with a copy of this testimony via U. S. Mail.

Please clock in a copy and return it with our courier.

Thank you for your assistance.

Very truly yours,

  
Margaret M. Fox

MMF/rwm  
Enclosures

cc: Parties of Record

BEFORE THE  
SOUTH CAROLINA PUBLIC SERVICE COMMISSION  
DOCKET NO. 2005-15-C  
DIRECT TESTIMONY OF DEBBY C. BROOKS

SC PUBLIC SERVICE  
COMMISSION

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**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Debby Brooks. My business address is 3480 Highway 701 North,  
Conway, SC 29526.

**Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

A. I am testifying on behalf of Horry Telephone Cooperative, Inc. ("HTC") and the  
South Carolina Telephone Coalition. I am the Director of Customer Operations at  
HTC.

**Q. PLEASE BRIEFLY OUTLINE YOUR EDUCATION, TRAINING, AND  
EXPERIENCE IN THE TELEPHONE INDUSTRY.**

A. I received a Bachelor of Science degree in Political Science from Clemson  
University. I have been employed at HTC for 12 years in various positions  
including marketing, governmental relations, and customer service. I have been  
in my current position as Director of Customer Operations for 6 years.

DATE: OK D. Duke  
BY: OK D. Duke

1     **Q.     WHAT IS THE BACKGROUND OF THIS GENERIC PROCEEDING?**

2     A.     The Commission held a hearing on December 17, 2003, to address a formal  
3           complaint filed by Mr. Rufus Watson, on behalf of Bay Meadows Homeowners'  
4           Association, requesting a reduced rate for Homeowners' Association ("HOA")  
5           phones in elevators and beside swimming pools due to the limited use of such  
6           phones. Mr. Watson felt that these telephones, which were being charged a  
7           business rate, should be charged less than a residential rate due to the fact that  
8           they were rarely used. Following the hearing, the Commission issued its Order  
9           No. 2004-466 in Docket No. 2003-221-C, stating the belief that these issues were  
10          likely to have an impact on all telephone companies and telephone customers in  
11          the State and establishing this generic proceeding to address the appropriate rate  
12          classification and rate structure for telephone lines in elevators and in proximity to  
13          swimming pools.

14  
15    **Q.     IT HAS BEEN ASSERTED THAT TELEPHONES AT HOA POOLS AND**  
16    **IN HOA ELEVATORS ARE RARELY USED AND THUS THE**  
17    **CLASSIFICATION OF THEM AS BUSINESS LINES IS**  
18    **UNREASONABLE. ARE BUSINESS RATES APPLIED TO**  
19    **TELEPHONES BASED ON USAGE?**

20    A.     No. Telephone service, whether classified as residential or business, is not based  
21           on the amount of usage associated with the service. The classification is based  
22           upon the nature or character of use of the service. Pursuant to telephone company  
23           tariffs approved by and on file with the Commission, residential rates generally

1        apply only to dwelling units, and even then only if the telephone is being used for  
2        residential purposes (for example, a telephone used for a home-based business  
3        within a dwelling unit would be classified as a business line). Business rates  
4        apply for all places of a commercial, professional, or business “nature.” In HTC’s  
5        tariff, for example, this specifically includes (but is not limited to) offices, stores,  
6        factories, resorts, and construction offices, as well as boarding houses, offices of  
7        hotels and apartment buildings, colleges, emergency telephones available to the  
8        general public, quarters occupied by clubs and fraternal societies, private or  
9        parochial schools, hospitals, nursing homes, libraries, and other institutions.

10  
11    **Q.     IT HAS BEEN SUGGESTED THAT ASSOCIATIONS, SUCH AS**  
12        **HOMEOWNERS ASSOCIATIONS, ESTABLISHED AS “NONPROFIT**  
13        **CORPORATIONS” DO NOT FALL UNDER THE CLASSIFICATION OF**  
14        **A BUSINESS. IS THERE A BASIS FOR THIS?**

15    **A.**    No. Incorporated associations like Bay Meadows HOA are clearly within the  
16        business classification. Incorporation is one clear indication that the entity is a  
17        business rather than a residence. While HOA members may have telephones  
18        inside their individual dwelling units within the complex that are appropriately  
19        classified as residential lines, telephones outside the individual dwelling units are  
20        appropriately classified as business or non-residential. Homeowners Associations  
21        typically have common property areas within the developments, such as elevators,  
22        pool areas, and clubhouses that are not considered individual residential units, but  
23        rather as common property owned by the Homeowners Association. These

1 common property areas are typically maintained by a third party hired by the  
2 Association to provide services such as property maintenance, communications,  
3 member assessments, etc.  
4

5 **Q. IS THERE CONCERN THAT THE ESTABLISHMENT OF A SEPARATE**  
6 **CLASSIFICATION FOR SUCH TELEPHONE LINES COULD HAVE**  
7 **SUBSTANTIAL AND FAR-REACHING IMPACTS ON HTC AND OTHER**  
8 **TELEPHONE PROVIDERS IN THE STATE? PLEASE EXPLAIN.**

9 A. Yes. The impact could be substantial. The residential and business rates that  
10 customers pay for monthly dial tone access are generally below the costs to  
11 provide the service for most of the incumbent local exchange companies  
12 providing these services in the state. If we were required to discount rates for  
13 HOAs, the costs would have to be recovered elsewhere, likely causing other  
14 customers' rates to be increased. In addition, the ultimate effect would depend on  
15 how far-reaching the reclassification is. Even if the Commission were to order  
16 such rate reductions for HOA phones only, there could be a "domino effect" with  
17 respect to entities who may argue they are similarly situated (e.g., other nonprofit  
18 entities like hospitals, nursing homes, schools, government, libraries, fraternal  
19 organizations, military, political organizations, etc.) It is our responsibility to  
20 provide telecommunication services to our customers on a consistent, reliable and  
21 nondiscriminatory basis. The creation of a different discounted rate or new  
22 customer classification would certainly impact the ability of local exchange  
23 companies as they strive to serve their customers on an equitable basis.

1   **Q.    YOU MENTIONED THAT BUSINESS LINES ARE GENERALLY**  
2       **PROVIDED AT RATES THAT ARE BELOW COST. ON AVERAGE,**  
3       **WHAT IS THE COST TO HTC OF PROVIDING MONTHLY SERVICE**  
4       **TO A CUSTOMER?**

5   A.   The HTC embedded cost of service study completed by HTC's cost consultant,  
6       John Staurulakis, Inc. (JSI) in 2003 for year end 2002 shows the cost of service  
7       totals \$46.16 for HTC residential and business telephone lines. Adding the  
8       NECA prescribed interstate access (EUCL) charges, (\$6.50 for residence and  
9       \$9.20 for business) to current end user access line rates (\$13.50 for residence lines  
10      and \$24.00 for business lines), still results in services priced below cost for HTC.

12   **Q.    WITH THE COSTS BEING THE SAME TO SERVE RESIDENTIAL AND**  
13       **BUSINESS CUSTOMERS, WHY ARE BUSINESS CUSTOMERS**  
14       **CHARGED MORE?**

15   A.   The establishment of tariffed rates for local exchange access service at higher  
16       rates for the business class of customers than the residence class of customers is  
17       reflective of common industry practice, historical telecommunications regulatory  
18       economic theory and important affordability concerns. The important thing to  
19       remember is that both residential and business services in HTC's service area are  
20       currently being provided to customers at rates that are below cost. Therefore, any  
21       reclassification that would remove certain lines from the business category would  
22       constitute a further subsidization of those lines at the expense of other customers.

1   **Q.    ARE THERE OTHER CONCERNS THAT THE ESTABLISHMENT OF**  
2       **SEPARATE CLASSIFICATIONS FOR BUSINESS LINES ASSOCIATED**  
3       **WITH NON-PROFIT AND FOR PROFIT BUSINESSES COULD HAVE**  
4       **SUBSTANTIAL AND FAR-REACHING IMPACTS ON HTC AND OTHER**  
5       **TELEPHONE PROVIDERS IN THE STATE? PLEASE EXPLAIN.**

6   **A.**    Yes. HTC and the Coalition members are providers of telecommunication  
7       services. We are not licensing or auditing agencies equipped to investigate and  
8       verify that a company, corporation, or partnership falls within the legal guidelines  
9       of a nonprofit or for profit business. There are multiple types of non-profit  
10      businesses, i.e., charitable, social clubs, membership organizations, political  
11      organizations, etc. Corporations and business entities, such as these, must meet  
12      criteria of their own under IRS guidelines to retain their nonprofit status.  
13      Telephone companies have no means to determine from year to year whether  
14      these businesses have kept or lost their nonprofit statuses. In addition, some of  
15      the telephone companies' largest customers have nonprofit status such as  
16      hospitals and schools. These factors lead to the recognition that consideration of  
17      separate classifications for nonprofit and for profit business would have  
18      substantial administrative and financial impacts on telecommunications providers.  
19      In addition, if distinctions are made for rate structures in the telephone industry  
20      between nonprofit and profit businesses, it is reasonable to expect the customer  
21      bases of other types of utility service providers, such as electricity, water and  
22      sewer, to request and expect the same.

1   **Q.    IT HAS BEEN SUGGESTED THAT THE TELEPHONES IN QUESTION**  
2       **ARE REQUIRED BY STATE LAW AND, THEREFORE, THE**  
3       **APPLICATION OF A BUSINESS RATE IS NOT REASONABLE. CAN**  
4       **YOU COMMENT ON THIS?**

5    A.   First, I think there is some question as to whether the phones are required by state  
6       law. For example, I understand the SC Labor, Licensing, and Regulation  
7       Department regulations allow for different methods of complying with  
8       communication requirements for elevators, including the installation of an  
9       intercom system. In any event, the real point is that telephone companies do not  
10      have the resources, nor should they be required, to interpret the law and to classify  
11      telephone service on the basis of whether the telephone is required or not. Almost  
12      any business could argue that its telephones are required by some state, county, or  
13      local code, regulation, or statute, including building codes and fire marshal  
14      regulations. This simply is not a reasonable basis upon which to classify  
15      telephone service.

16

17   **Q.    IT HAS ALSO BEEN SUGGESTED THAT THE IMPOSITION OF AN**  
18       **INTERSTATE ACCESS CHARGE ON TOLL-RESTRICTED**  
19       **TELEPHONES IN NOT REASONABLE. PLEASE EXPLAIN.**

20   A.   Rates associated with the billing of the interstate access charge, also known as the  
21       End User Common Line Charge (EUCL), are set by the National Exchange  
22       Carriers Association (NECA). The Federal Communications Commission (FCC)  
23       formed NECA in 1983 to perform telephone industry tariff filings and revenue

1 distributions following the breakup of AT&T. NECA guidelines provide that the  
2 EUCL charge is to be applied to local telephone lines, including toll restricted  
3 lines, because a local loop is required for these services whether the long distance  
4 network is accessed or not. In other words, the EUCL is a federally-approved  
5 charge. See NECA Tariff FCC No. 5, End User Access Service, Section 17.1.2;  
6 NECA Exchanges No. 3, End User Access Charges.

7  
8 **Q. DO YOU BELIEVE THE CURRENT CLASSIFICATION SYSTEM FOR**  
9 **BUSINESS AND RESIDENTIAL SERVICE SHOULD BE CHANGED?**

10 A. No. This classification system is fair and reasonable, and has served the industry  
11 and customers well for many years. In fact, to my knowledge, this is the first time  
12 the classification structure has been challenged. It is interesting to note that the  
13 challenge does not appear to be directed at the overall classification structure, but  
14 rather to the rates for 8 specific telephones. See pre-filed testimony of Rufus S.  
15 Watson, Jr. During the course of the complaint action that preceded this generic  
16 proceeding, Mr. Watson insisted that he only wanted these 8 telephones to be  
17 reclassified and that such a request would not financially harm the company. Mr.  
18 Watson does not acknowledge or understand HTC's obligation to be fair and  
19 reasonable in its classifications with respect to all customers and telephone lines.

1   **Q.    WHAT ARE YOU REQUESTING THAT THE COMMISSION DO IN**  
2       **THIS MATTER?**

3   A.    On behalf of HTC and the South Carolina Telephone Coalition, we respectfully  
4       request that the Commission continue the classification of telephone services into  
5       the established categories of residential and business. Any decision to the  
6       contrary could have a significant impact on all telephone customers in the State of  
7       South Carolina. The Commission has worked too hard to provide for fair and  
8       equitable pricing structures for telephone customers. The decision to maintain  
9       current classifications is appropriate and correct based on standards, practices, and  
10      procedures previously established by this Commission in its effort to ensure the  
11      availability of affordable telephone service to every customer in the state on an  
12      equitable and nondiscriminatory basis.

13

14   **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

15   A.    Yes, it does.

16

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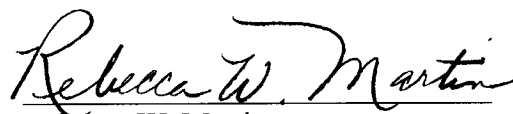
## Docket No. 2005-15-C

# CERTIFICATE OF SERVICE

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COMMISSION  
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VICE

Florence P. Belser, Esquire  
✓ Office of Regulatory Staff  
Post Office Box 11263  
Columbia, South Carolina 29211

Patrick W. Turner, Esquire  
BellSouth Telecommunications  
Post Office Box 752  
Columbia, South Carolina 29202

  
Rebecca W. Martin  
McNair Law Firm, P.A.  
Post Office Box 11390  
Columbia, South Carolina  
(803) 799-9800

March 23, 2005

Columbia, South Carolina